

CITY OF MARIETTA/BLW SPECIAL CALLED PENSION BOARD MEETING

Monday, April 11, 2016
9:00 AM – Fourth Floor City Hall Conference Room

MEETING MINUTES

Members Present: Bill Bruton Tim Milligan (via telephone)
Freddy Morgan Beth Sessoms
Philip Goldstein Bobby Moss
Rick Steffes Anthony Coleman

Absent: Jake King

Ex Officio Members: Dan Flynn – Police Chief, in place of Jake King
Davy Godfrey – Pension Board Secretary and Director, Human Resources & Risk Management
Sam Lady – Pension Board Treasurer and Finance Director

Visitors / Guests Nicole Curl – Benefits Manager
Fion Lau – HR Administrative Assistant
Patti Keesler – Pension Board Attorney
Ed Koebel – Cavanaugh Macdonald Consulting
Keisha Register – Employment Manager
Ricky Leroux – Marietta Daily Journal
Johnny Walker – Marietta City Council Member
Rich Buss – Director, Parks, Recreation, & Facilities

Chairperson Freddy Morgan declared a quorum and called the meeting to order at 9:02am, ensuring that Tim Milligan was on the phone. He then recognized Secretary Davy Godfrey to review the **disability retirement application for Darron Traylor**. Godfrey advised that Traylor stopped working in March 2014, had back surgery that did not go well, and has not returned to work in any capacity. Godfrey advised that, in conjunction with the disability retirement, Traylor's Workers' Compensation settlement was going in front of City Council that evening, and that the city had paid out over \$400K in Workers' Compensation payments to Traylor, some of which had been recouped from the City's excess carrier. Godfrey advised that Traylor's disability retirement amount was a single life benefit at \$1,019.23 per month beginning May 1, 2016. Traylor was not eligible for health insurance through the City. Discussion ensued regarding the doctor who examined Traylor, and Godfrey advised that the doctor was a member of our Workers' Compensation panel. As a response to a question from the board, Godfrey stated that he recommended approval of the settlement. Discussion ensued regarding the injury. Godfrey responded that the employee's claimed injury is what caused him to need surgery; however, the surgical outcome made the injury worse. Discussion ensued regarding the prognosis before the surgery. Godfrey responded that, had the surgery been successful, the doctor would have most likely placed the employee on light duty. However, it is challenging to find substantial light duty work for employees in Traylor's situation. Chairman Morgan asked if there was a motion on the floor to approve the disability retirement application. Member Coleman made a **motion to approve the application**, Member Goldstein seconded the motion, and the **motion carried** with a vote of 7-1-1, with Member Sessoms voting against and Member Bruton abstaining as he was absent during the discussion.

Chairperson Morgan then recognized Secretary Godfrey regarding the disability retirement suspension update regarding Michael Rigo. Godfrey advised that, since the February meeting, Rigo's attorney had provided to the City his proof of earnings as a real estate agent beginning in June 2014, and asked the City's attorney if the Pension Board would consider retroactively suspending to the benefit to that date

instead of the original date of December 2013. However, Godfrey advised that, through a Freedom of Information Act request to South Carolina, he discovered that Rigo indicated a history of employment dating back to January 2003 with a company known as H-3 Maintenance. Godfrey directed the board to the supporting documents showing Rigo had listed himself as the owner of the company, as well as his incorporation history in Georgia and South Carolina. Godfrey advised that Rigo's attorney has basically cut off communication since the City's attorney has asked for more information regarding this company. Discussion ensued regarding locating a potential business license for H-3 Maintenance and it showing the category of business and the earnings. Godfrey presented a draft letter from the City's attorney requesting that Rigo and/or his attorney present information to the City regarding earnings from H-3 maintenance no later than the scheduled May 11, 2016, meeting. Discussion ensued regarding the date to use on the letter regarding recoupment, and whether to use 2003 from Rigo's real estate license application or 2006 based on corporation filing. Chairman Morgan asked for a **motion authorizing the Chairman, Secretary, or attorney to send the letter requesting information using the 2003 date for recoupment.** Member Coleman made a motion, Member Sessoms seconded the motion, and the **motion carried unanimously, 9-0.** After the vote, Member Milligan recommended that the attorney send the letter, thus keeping all traffic between legal channels.

Chairperson Morgan then opened the matter of **death benefits under the current plan**, and recognized Ed Koebel, Actuary from Cavanaugh Macdonald. Koebel indicated that he did not have a formal presentation, but wanted to go over several options that the board could consider. Koebel indicated that most, if not all, plans that have a preretirement death benefit only have it for vested employees. Otherwise, the beneficiary receives a refund of participant contributions. Once an employee has vested, there are many options. Some of the options include a beneficiary receiving an accrued benefit either immediately or deferred until the employee would have reached a certain age. Another option is providing a death benefit using a formula with years of service that would have been accrued assuming the employee retired at normal retirement date. Discussion ensued regarding when a benefit could start (immediate or deferred). Discussion ensued regarding how Cobb County's plan compares to the City's. Discussion ensued regarding covering terminated vested employees and whether they should be covered. Koebel indicated that adding preretirement death benefits typically adds 10 to 50 basis points to a plan. Discussion ensued regarding whether similar cities offer life insurance, and Chairman Morgan advised the members regarding the information sheet in the packet titled "In-Service Death Benefit Comparison." Discussion then ensued regarding amending the plan considering the current funding ratio and the 80% standard for ERISA plans. Further discussion was held regarding "pay as you go" versus not changing the amortization period. Discussion was held regarding an increase in employee contribution affecting everyone across the board or only for the ones who wanted to add the benefit. Patti Keesler, Pension Attorney, advised that it would have to be across the board as a pre-tax contribution. Chairman Morgan then asked if there was a motion on the floor to entertain Koebel running scenarios where the cost is \$1,500 for the first and \$500 for subsequent ones. Member Goldstein asked if the scenarios could contain certain provisions: 1. Applies to only vested employees, 2. Must be married at least one year, 3. Only for the married spouse, 4. Based on final average earnings on day of death and not projected future earnings, 5. 45% of benefit, 6. 1% multiplier, 7. Only for active employees, 8. Spouse must survive employee by 32 days, 9. City Council excluded from any increase in benefits. Koebel asked if benefit was projected out to normal retirement date. Consensus from the board was to project service out to normal retirement date to age 65. Discussion ensued regarding funding options and communications if an employee's contribution increased. Discussion ensued regarding possibly obtaining employee feedback through survey or voting. Discussion ensued regarding single employees being excluded from a benefit that would affect only married employees. Member Steffes made a comment regarding at least 20 employees he's spoken to regarding the negative media attention received as a result of the plan not having preretirement death benefits. Steffes stated that once employees hear the whole story, opinions begin to change, especially regarding an added benefit potentially costing employees more money. He said that, overwhelmingly, employees don't want their contributions to go up. More discussion ensued about ways to fund it, especially if employee contributions were to increase. Chairman Morgan reiterated that we would have to deal with that once the actuary reviews it and, to this point, the board hasn't asked the actuary to actually look at it. Chairman Morgan asked if we could use 2.1% as a multiplier, with the thought that 1% multiplier can be derived from that cost. Secretary Godfrey then reviewed the provisions that

Member Goldstein related for the actuary. Member Goldstein asked Member Coleman and Council Member Walker if they were fine with excluding City Council from the increase, and they both answered in the affirmative. Ex Officio Member Flynn inquired about supplemental life insurance and that maybe the City could review associated costs. Member Goldstein commented that, despite this benefit not existing in the current plan, we have a good plan. He mentioned that, in the private sector, companies are getting rid of defined benefit plans, and even some local cities are getting rid of them. Member Coleman asked if this has caused more employees to retire from the city. Secretary Godfrey responded that retirement rates have remained relatively flat over the past few years. Chairman Morgan asked Koebel to use the Georgia Firefighters provision as the second option, which is the joint and survivor 100% option deferred until the employee would have turned age 55 (reduced if drawn earlier). Keesler stated that the ERISA mandated minimum is the joint and survivor 50% option. Chairman Morgan asked if the board wanted to review any other options, and none were offered. Chairman Morgan again asked for a **motion to allow \$2,000 to be paid to Cavanaugh Macdonald to perform calculations/reviews for the two stated options**. Member Coleman made the motion, Member Sessoms seconded the motion, and the **motion carried** unanimously, 9-0.

Chairman Morgan then recognized Secretary Godfrey and inquired about **beneficiary elections after retirement**. Secretary Godfrey stated that beneficiaries are locked in at retirement under each plan and that employees would like the option to change beneficiaries in cases of divorce or death and remarriage. Keesler relayed that it was a common feature in plans to not allow beneficiary changes after retirement but, if allowed, would have to allow for recalculation of the benefit. She stated that many plan sponsors discuss this issue, but never take any action to change it. Koebel stated that there was no assumption that retirees get divorced in retirement, but we would see our pension valuation change year over year depending on how frequently this was utilized. He mentioned that, in Alabama, his company put together a plan that allowed for one beneficiary change, but with another actuarial reduction upon change ("double reduction"). Discussion ensued regarding actuarial present value of benefits and how they are paid. Keesler stated that she would have to review reducing retirement benefits in retirement. Member Goldstein expressed concern with retirees being able to "change the facts" by switching beneficiaries. Discussion ensued regarding how a change like this affects younger generations, including behavior of individuals in retirement. Koebel stated that actuarial present value can be figured at time of retirement, with amounts received prior to death subtracted from any benefit that could potentially be paid to a survivor based on that original value. Chairman Morgan did not think there was enough for a motion, but asked Patti to bring back analysis on this issue to the May meeting.

Chairman Morgan recognized Member Goldstein, who mentioned changing benefits for future elected officials after a certain date as it relates to implementing a maximum pension benefit of 73.5% of their earnings, not including compensation for serving on a board. Secretary Godfrey asked Member Goldstein about bringing a draft ordinance to the next meeting regarding this change, and Member Goldstein answered in the affirmative. Member Goldstein asked Council Member Walker if he was fine with that, and Council Member Walker replied that, although we can't go back and change the rules, he doesn't think a City Council Member or the Mayor should make more in retirement than they made while serving. He stated that, if we could make it retroactive, he would support that, but that he would like to see the 73.5% cap. Chairman Morgan asked for any other business, and hearing none, he asked for a motion to adjourn the meeting. Discussion was held regarding the next meeting, and Chairman Morgan stated that it would be May 11. Member Goldstein made a **motion to adjourn**, seconded by Member Sessoms, and the **motion carried** unanimously, 9-0.

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APPROVED THIS 11th **DAY OF** May, 2016

Freddy L Morgan
Freddy Morgan, Pension Board Chairperson

ATTEST:

Davy Godfrey
Davy Godfrey, Pension Board Secretary